



**THE INDUSTRIAL DEVELOPMENT AUTHORITY  
OF THE CITY OF TUCSON, ARIZONA**

**Regular Meeting**  
**Thursday, April 18, 2019**  
2:30 p.m.

Tucson Metropolitan Chamber of Commerce  
465 W. Saint Mary's Road  
Tucson, Arizona 85701

**MINUTES**

<b>Present: Board Members</b>	Larry Lucero Neal Eckel Judy Clinco Sandra Barton Mimi Noshay-Petro Patricia Schwabe (arrived at 2:50 p.m.)
<b>Advisors</b>	Charles Lotzar, Lotzar Law Firm, PC Karen Valdez, BDFC Advisor Services, LLC Gary Molenda, BDFC Advisor Services, LLC
<b>Absent</b>	Meredith Aronson
<b>Guests</b>	Mike Czechowski, City of Tucson Barbra Coffee, City of Tucson Economic Initiatives Iris Patton, Geospatial Collaborative / ROGUE Communities

The Regular Meeting of the Board of Directors of The Industrial Development Authority of the City of Tucson, Arizona (the “**Authority**”) was held on **April 18, 2019**, at the Tucson Metropolitan Chamber of Commerce, 465 W. Saint Mary's Road, Tucson, Arizona 85701. Pursuant to **Arizona Revised Statutes Section 38-431.02**, all the Authority's Board Members and the general public were duly notified of the meeting. C. Lotzar had informed the Authority's Board of Directors that Arizona's Open Meeting Laws allow for members of the Authority's Board of Directors and legal counsel to appear and participate in the meeting telephonically so long as all participants in the meeting can hear and be heard.

<b>ITEM</b>	<b>ACTION TAKEN/TO BE TAKEN</b>
<b>1. Call to Order</b> The meeting was called to order by Neal Eckel, Secretary/Treasurer, with a quorum present.	The meeting was called to order at <b>2:32 p.m.</b>
<b>2. Request for resolution to approve the minutes of the Regular Meeting of March 21, 2019.</b>	A <b>MOTION</b> was made and seconded (N. Eckel / S. Barton) to approve the minutes of the <b>March 21, 2019</b> Regular Meeting as presented. <b>Approved 5-0.</b>
<b>3. Request for resolution to approve the payment of invoices and the notification of items to be paid on the Authority's behalf by third parties.</b>  K. Valdez noted that a check in the amount of <b>\$2,000,000.00</b> was issued today for deposit in the Authority's account at Alliance Bank for the <b>52-week</b> CDRS account approved at	A <b>MOTION</b> was made and seconded (J. Clinco / N. Eckel) to approve payment of invoices, as presented. <b>Approved 5-0</b>

Approved May 23, 2019

the <b>March 21, 2019</b> Regular Meeting.	
<p><b>4. Status report from the Liaison to City of Tucson, Arizona City Manager’s Office related to:</b></p> <p>M. Czechowski introduced Barbra Coffee, Director City of Tucson Economic Initiatives, and provided updates on the following:</p> <p><b>a. The City’s Economic Development Prospect list.</b></p> <ul style="list-style-type: none"> <li>• Broadway Volvo: This site is owned by the City of Tucson (“<b>COT</b>”), as a transportation asset. There has been an RFP process. The current zoning is I1 and C3. The COT has started a Planned Area Development (“<b>PAD</b>”) rezoning, The PAD zoning will restrict uses (i.e. gas station; student housing; etc.) that would be impediments to the neighborhood, and adversely affect the integrity of the site. The RFP Awardee is the owner of Welcome Diner, and the awardee will complete the PAD rezoning. The site is now known as “<b>Welcome Broadway</b>”. It is anticipated that final plans will go to Mayor &amp; Council (“<b>M&amp;C</b>”) in <b>October 2019</b>.</li> <li>• A meeting was held today with a group looking to invest in the Tucson Community, in the Sports Tourism arena. The group developed a site outside of Boston, described as a college campus without the college; and everything else is a sports facility. This is the group’s first exploratory visit and they will be visiting several potential sites.</li> </ul> <p><b>b. The City’s use of Economic Development tools.</b></p> <p><b>c. Opportunity Zones.</b></p> <ul style="list-style-type: none"> <li>• Due to the timing of the Opportunity Zone, shovel ready sites are preferred.</li> <li>• The Opportunity Zone Regulations have been released by the IRS. It was noted that this may help define some of the unknowns and provide clarity.</li> <li>• B. Coffee stated that she is discussing marketing efforts with John Moffat, Pima County Economic Development Strategic Planning Director, and discussed hosting an event, with invitations extended to those who are running opportunity funds across the country to create an opportunity for all communities with Opportunity Zones and spotlight the opportunities within those zones and potential key sites.</li> </ul> <p><b>e. Current items of interest.</b></p> <p>B. Coffee reported that City of Tucson, Arizona (“<b>COT</b>”) interviews were held for a Director of Planning Development Services. Ms. Coffee also discussed the following:</p> <ul style="list-style-type: none"> <li>• Strengthening what the COT is doing.</li> <li>• Pro-active in marketing efforts.</li> <li>• Creating good partnerships to bring focus &amp; credentials to existing and new efforts.</li> </ul>	No action taken.
<p><b>5. President’s Report: Summary of current events, including items brought to the President’s attention or matters that required handling by the President since the last meeting:</b></p> <p>L. Lucero provided updates on the following:</p>	No action taken.

- a. **Wild Ride – April 5, 2019.** L. Lucero and S. Barton participated in this event; which is a good example of showcasing a variety of elements of Tucson with focus on “live, work, play”. The focus on residential development, which is primarily student and market rate residential. What has developed from the first wave of success, is the development of market rate industry downtown and the market is very high.

**Live element:**

The demographic characteristics of renters are amazing with respect to age and income. The tenant’s average income was approximately **\$70,000** for the average age of **40**. It was noted that there are a few families with children making the leap into rental properties.

There may be a market for single family detached or more likely multi-story condo development for owner-occupied family development.

The other eye-opening aspect was the rental rates. These are small square footage units with high end rates; an extreme example is a **1500-1800** square foot unit at **\$3,000** per month, plus utilities and parking. Under this example, the attraction for investors to come in can be understood.

The opportunity for the Authority to consider is a niche there for encouraging homeownership in terms of developing a fully functioning community in the downtown area.

**Work element:**

The Wild Ride visited Hexagon and other potential office structures that are about to be activated and also visited the site of the newest tower at **75 E. Broadway**, across from the TEP building on the north side of Broadway, which is slated to start by **October 2019**.

**75 E. Broadway** will have **5** floors of office space, **5** floors of parking, and **2** floors of commercial retail. The structure will be set up in a manner that an additional **2** floors can be added. Archeology work has already been completed. The message conveyed was not to be afraid of investing in downtown Tucson.

P. Schwabe noted that the assistance from Rio Nuevo for that particular block is huge; Rio Nuevo is adding to the tools available. The Authority can also be a source.

L. Lucero noted that the reactivation of the Rialto Block will be of tremendous interest with respect to another hotel. Other sites noted: Hilton site and La Placita.

- b. **Website development.** L. Lucero reported that **1** day of photography has been completed with **2** more days scheduled, plus a **4<sup>th</sup>** additional 1/2-day shoot. The location map is well underway as is the wireframe and an initial home page design. A meeting will be held on **Friday, April 26, 2019** to review the status and process with P. Schaper.
- c. **Discussion with parties interested in the Authority’s real property.**
- L. Lucero provided status on ongoing discussions on landholdings that the Authority is trying to market.

**Block 175:** It was noted that L. Lucero and P. Schwabe have met with a

<p>couple parties in the last month that have shown interest in Block 175; if there is production on the parties spoken to, time will be set aside at the May meeting for a high-level conceptual presentation. May require putting a Broker in place.</p> <p><b>450 N. Main:</b> A meeting was held with the City Manager, C. Lotzar, L. Lucero, and M. Czechowski to review history of 450 N. Main. Both C. Lotzar and M. Czechowski are working on items requested in that meeting (history of dealings and expenses). It was noted that some of the problems facing 450 N. Main are similar to other sites downtown owned by the COT.</p> <p>M. Czechowski stated that the Mayor walked the site and noted some issues and recognized action is required however the affordability component is to remain.</p> <p><b>d. Potential May 23, 2019 Special Meeting / Board Retreat.</b></p> <p>The Regular Meeting scheduled on <b>Thursday, May 16, 2019</b> will be cancelled with a Special Meeting / Board Retreat scheduled for <b>Thursday, May 23, 2019</b>. The Special Meeting / Board Retreat will begin at <b>11:30 am</b> with lunch catered and the meeting will go to approximately <b>3:00 pm</b>.</p> <p><b>e. Establishing Agendas for meetings.</b></p> <p>It was noted that if Authority Board members have ideas for Agenda items for the Special Meeting / Board Retreat, then they should forward the proposed ideas to L. Lucero for consideration.</p> <p><b>f. Advisory Committee Structure.</b></p> <p>Currently there are only <b>2</b> active Committees: Marketing: Website Development and Loan Review. If there are anything that requires short term or long-term focus, then forward the proposed ideas to L. Lucero for consideration.</p> <p><b>g. Articles of Incorporation, as amended – November 10, 2011.</b></p> <p>The Articles of Incorporation are current with no need for amendment at this time.</p> <p><b>h. Bylaws as amended – February 2, 2013.</b></p> <p>Bylaws are current with no need for amendment at this time.</p> <p><b>i. Application Procedures and Policies - April 1, 2006.</b></p> <p>Application Procedures and Policies are fine; trend is toward simplicity. At this point in time the capital markets are still fairly quiet.</p> <p><b>j. Document Standards – September 10, 2013.</b></p> <p>Document Standards are considered state of the art and protect the Authority in a simple way. No need for amendments at this time.</p>	
<p><b>6. Status report concerning recommendation from the Loan Review Committee concerning a request from Business Development Finance Corporation (“BDFC”) for participation in a loan with BDFC in an amount not to exceed \$60,000 related to BDFC’s loan to The River 5, LLC for its business to be operated at 1640 E. River, Suite 180, Tucson, Arizona 85718, and request for resolution for all actions related</b></p>	<p><b>A MOTION</b> was made and seconded (S. Barton / N. Eckel) to accept the recommendation of the Loan Review Committee and approve participation in a loan</p>

<p>thereto.</p> <p>S. Barton reported that the Loan Review Committee met to review the request received from Business Development Finance Corporation (“<b>BDFC</b>”) for participation in a BDFC loan to The River <b>5</b>, LLC. The request is for a <b>\$60,000</b> term loan that will be fixed at a <b>6%</b> interest rate for the first <b>5</b> years, then repriced for years <b>6</b> through <b>10</b> at the then <b>10 - year</b> Treasury plus <b>3%</b>. The purpose of the loan is for the purchase of a building located at 1640 E. River Road in Tucson. This is a minority owned business and the loan will create <b>6</b> full - time positions. The recommendation of the Loan Review Committee is for approval conditioned upon BDFC clarifying ownership percentage of Ms. Anthony and Mr. Sutterfield who will be purchasing ownership interest from Mr. Corcoran. The Lease between Catalina Wealth Management and The River <b>5</b>, LLC has both Ms. Anthony and Mr. Sutterfield as guarantors, because as they will be purchasing Mr. Corcoran’s business. Prior to loan closing, BDFC will review the lease to ensure that all parties are listed as well as correcting the typo (with regard to ownership interest amounts).</p>	<p>with BDFC, in an amount not to exceed <b>\$60,000</b>, conditioned upon further due diligence, related to BDFC’s loan to The River <b>5</b>, LLC, as presented. <b>Approved 6-0</b></p>
<p><b>7. Staff Reports: Monthly Staff Report for the month ending March 31, 2019.</b></p> <p>K. Valdez provided status on the following:</p> <p><b>a. General Operations of the Authority:</b></p> <p><b>i. Parking Lot Financial Statements prepared by Pueblo Parking Systems, LLC (“PPS”).</b> Net parking lot revenue for the month of March:</p> <ul style="list-style-type: none"> <li>• Block <b>175</b>: <b>\$31,930</b></li> <li>• Stone / Council: <b>\$12,875</b></li> </ul> <p><b>ii. Bond Borrower’s payment of Administrative Fees.</b> – Fees are current as of <b>March 31, 2019</b>.</p> <p><b>iii. Cash Management.</b> – Estimated funds available after existing commitments and recommended reserves is <b>\$4,105,963</b>. <b>3</b> remaining CDs will be maturing in the next <b>2</b> months. The consensus of the Authority was is to let the CDs roll over.</p> <p><b>iv. Loan Servicing.</b> - <b>1</b> small loan is delinquent:</p> <ul style="list-style-type: none"> <li>• Thunder Canyon Brewery – Borrower is <b>90 days</b> past due and has requested temporary payment assistance. Borrower has presented a payment plan for reduced payments for <b>4</b> months to get back on track. Discussion ensued. It was the consensus of the Authority to proceed with the payment plan as presented.</li> </ul> <p><b>v. Loan Origination.</b> – <b>1</b> loan pending:</p> <ul style="list-style-type: none"> <li>• Ermanos Craft Beer Depot, LLC - <b>\$125,000</b> approved <b>February 21, 2019</b>. Estimated funding <b>April 2019</b></li> </ul> <p><b>vi. 450 N. Main Street.</b> – No activity. <b>2</b> for sale signs remain, no inquiries received during the month of <b>March 2019</b>.</p> <p><b>b. Legislation updates:</b></p> <p><b>i. Federal legislation</b></p> <p><b>ii. Arizona legislation –</b></p> <ul style="list-style-type: none"> <li>• C. Lotzar stated that he has formed a nonprofit</li> </ul>	<p>No action taken.</p>

advocacy group – Arizona Affordable Housing Development, Inc. (“**AAHD**”) is pushing a bill through the legislature to create a State low-income housing tax credit (“**LIHTC**”). The bill has made it through both the State House and the State Senate and the bill is currently in the budget process.

- **SB1300** deals with nonprofit ownership of apartments which will provide tax abatement of real estate property taxes.
- Mary Sue Lotzar met with the Maricopa County Assessor’s office regarding the inequity of tax credit property assessments and they have agreed to allow the Lotzar Law Firm, PC to write a supplement to the Arizona Assessor’s Manual so that the various county Assessor assess affordable properties evenly throughout the State.
- L. Lucero reported that Pima County (“**County**”) has had an effort for the last couple of years to authorize the County Government to transfer, over to the Regional Transportation Authority (“**RTA**”), the future of the RTA in terms of renewal.

The RTA expires in **2026** at which time it is likely that a funding source will be needed to continue to build and maintain roads. Currently the half (**\$0.0050**) cent sales tax is collected on sales throughout the County.

The legislation, approved and signed by the Governor, allows the County to raise that up to **\$0.01**. The argument might be to have **50%** go to maintenance and **50%** to go to new construction.

The RTA needs to go back to the citizens to re-authorize before **2026**. There is an effort underway with a Citizens Advisory Council already appointed to determine what should be done in terms of roads and other transit over the next **20** years.

The County now has the authority to increase rate and no longer needs a unanimous vote of the Board of Supervisors to pass it on to the voters. Its’ not too soon to start thinking about renewal of the RTA.

- Opportunity Zone Regulations were released on **April 17, 2019**.

**c. Real Estate:**

- i. Block 175**
- ii. Stone & Council**
- iii. 450 N. Main**

**d. Outstanding Single-Family Programs:**

- i. \$40,000,000 The Industrial Development Authority of the County of Pima and The Industrial Development Authority of the City of Tucson, Arizona Revolving Taxable Single Family Mortgage Loan Program of 2012 (the “Pima/Tucson Homebuyers Solution Program” or “PTHS Program”) - commenced on December 17, 2012 and unless extended expires on**

**December 31, 2020 – more than \$573,400,000 in mortgage-backed securities sold with more than \$22,500,000 of down payment assistance granted to homebuyers.**

C. Lotzar reviewed the pipeline at the Trustee/Investor level:

- Total Loan Amount since inception: **\$507,941,674.**
- Total Loan Count since inception: **4,027.**
- Average Loan Amount: **\$150,000.**
- Average Annual Income: **\$55,000.**

**The Industrial Development Authority of the City of Tucson, Arizona The Industrial Development Authority of the County of Pima Tucson P2P Program (the “Tucson P2P Program”) – Phase II commenced on August 1, 2018 and unless extended expires on December 31, 2020 – more than \$50,500,000 in mortgage-backed securities sold (1<sup>st</sup> sales in October 2016) with more than \$2,900,000 of down payment assistance granted to homebuyers and over \$469,000 deposited into the Tucson Rapid Rehousing Fund.**

- Total Loan Amount since inception: **\$50,504,596.**
- Total Loan Count since inception: **320.**
- Average Loan Amount: **\$168,000.**
- Average Annual Income: **\$55,000.**

ii. **\$9,375,000 The Industrial Development Authority of the City of Tucson, Arizona Single Family Mortgage Credit Certificate Program of 2017- January 3, 2017 – Origination Period expires December 31, 2019 more than 45 issued aggregating to over \$6,638,500.**

- Mortgage Credit Certificates (“MCCs”) issued to date is **44** with **5** pending.
- The MCC Program has a **3-year** origination period. The origination period for the current program will end **December 31, 2019.**
- Process for a **2020** MCC Program should begin **September 2019** for a program to begin **January 1, 2020.**

iii. **The 7% 2<sup>nd</sup> Mortgage Loans originated in connection with:**

- A. **Series 2006 (Joint) - \$30,475,000 – 1<sup>st</sup> Mortgage Loan Interest Rate 5.97% - 2016 Final Redemption of all Bonds - approximately \$150,800 in 2<sup>nd</sup> Mortgage Loans are outstanding).**
- B. **Series 2007A (Joint) - \$23,400,000 - 1<sup>st</sup> Mortgage Loan Interest Rate 5.69% - 2016 Final Redemption of all Bonds - approximately \$182,400 in 2<sup>nd</sup> Mortgage**

**Loans are outstanding).**

Financial Statements for the **9** months ending **March 31, 2019** were reviewed.

Revenues are represented as follows:

- **54%** - Single Family Programs.
- **26%** - Real Estate Income.
- **8%** - Loan Interest Income
- **7%** - Interest & Dividends.
- **4%** - Private Activity Bond Program.
- **1%** - Other.

Expenses are represented as follows:

- **38%** - Legal Services.
- **26%** - Advisor Services.
- **8%** - Lobbyist.
- **7%** - Real Estate Expense.
- **6%** - MCC Program.
- **4%** - Advertising.
- **4%** - Single Family Taxable Program.
- **4%** - Audit / Accounting.
- **3%** - Public Information.

Articles reviewed:

- Catalina Village Assisted Living: **(1)** ‘Tucson complex for low-income seniors, disabled residents celebrates **\$4,500,000** in renovations’; and **(2)** ‘Tucson IDA aids local assisted-living facility’
- Arizona Department of Housing (“**ADOH**”) News Letter: ‘Tucson couple finds the perfect opportunity to homeownership through Pathway to Purchase’

L. Lucero stated that over the past few months the Authority has had the opportunity to highlight activities of the Authority in a variety of ways, noting Kaneen Communications is doing a good job.

N. Eckel stated that it may be good to have L. Lucero present the Authority’s activities/accomplishments to various groups.

**US Bank Symposium:**

C. Lotzar stated that as discussed during the **March 21, 2019** Regular Meeting, the US Bank Symposium which will be held **August 12 to 14, 2019** in Minneapolis, MN. The US Bank Symposium is a good event for L. Lucero and K. Valdez to attend. The Authority has a great relationship with US Bank and through negotiations, recently improved the Servicing Release Price (“**SRP**”). Mr. Lotzar reviewed the SRP Grid which shows how the various loans will pay out by different loan types.

**8. Call to the Public**

Iris Patton introduced herself, stating that she has a company called Geospatial Collaborative (“**GC**”). GC is a mapping and planning community development company. GC builds tools to help identify where interventions and investments should be made to improve social impact, looking at both development as well as the community side. The

No action taken.



<p>tools also help assess the impact of interventions prior to any investments. GC is helping to spearhead a movement to start using the tools to identify areas to focus efforts. GC will be convening a summit on <b>May 3, 2019</b> called “Catalytic Capital for Net Impact”, focusing on <b>2</b> communities:</p> <p><b>1.</b> South Park Neighborhood (Irvington to <b>16<sup>th</sup></b> Street at the Aviation Park Way overpass), and</p> <p><b>2.</b> Palo Verde area (Swan to Country Club / Speedway to Ft. Lowell (<b>4</b> different communities within this area)).</p> <p>The goal is to assemble <b>\$100,000,000</b> of catalytic capital to address impact investing and to bring money to the table that can be distributed to nonprofits for the social side; connect to an opportunity zone fund.</p> <p>For the Palo Verde area the priority is on the social side; development will come later after social side is stabilized to improve the neighborhood potential.</p> <p>For South Park Neighborhood area, the focus will be on the development side, the social piece will be addressed in economic development.</p> <p>Ms. Patton stated that GC would like to have a summit in early <b>June 2019</b> where they can connect projects (ready to move) with the funders.</p> <p>L. Lucero stated that he and M. Aronson met with Ms. Patton and both felt the Authority may be interested in participating in conversations.</p> <p>Discussion ensued regarding the Choice Neighborhood Process and it was noted that Urban League, TEP, South West Gas, Arizona Complete Health, and most likely Cox will invest and focus on the Grant Alvernon area.</p> <p>Ms. Patton stated that CG accepts impact investments funds and noted that Community Investment Corporation is their Fiscal Agent.</p>	
<p><b>9. Adjourn</b></p>	<p>A <b>MOTION</b> was made and seconded (S. Barton / J. Clinco) to adjourn the meeting at <b>4:30 p.m. Approved 6-0</b></p>

Submitted by:

Approved by:

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**Karen J. Valdez**  
**Business Development Finance Corporation**

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**Larry Lucero, Acting President**  
**The Industrial Development Authority of the**  
**City of Tucson, Arizona**

Approved May 23, 2019